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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-148044

October 19, 1979

GG9-279

The Honorable James R. Sasser
Chairman, Subcommittee on
Intergovernmental Relations
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This is in response to your letter of September 7, requesting information on subjects not covered during my testimony on the [proposed amendments to the Uniform Relocation Assistance Act contained in (S. 1108)]

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You noted that in our statement, we recommended that inflation adjustments in an amended Uniform Relocation Act be tied to the rent component of the consumer price index rather than the overall CPI. You asked what percentage of the average displaced person's relocation costs involve additional costs for rent. We do not have the information needed to respond to this question. Our thought in making this recommendation was that the rent component of the CPI is a more specific indicator of changing costs of rental housing than the overall CPI and therefore the rent component should be used to adjust the \$4,000 limit for replacement housing payments to tenants.

S. 1108 calls for doubling the present payment schedules, and then using the CPI to annually update the schedules. The overall CPI between January 1971 and July 1979 increased by about 84 percent while the rent component of the CPI increased by only about 56 percent. Our suggestion is that rather than doubling the \$4,000 limit on replacement housing payments to tenants that the limit be adjusted to current levels based on the rent component of the CPI, i.e., to bring the limit to a July 1979 level, it would be adjusted to \$6,240 (\$4,000 multiplied by 156 percent). Similarly, we suggest that future annual updates of this payment limit be based on the rent component of the CPI.

You also asked us to elaborate on the effect of removing the current \$15,000 limit of Section 203. This payment assists displaced homeowners to purchase replacement housing which is (1) decent, safe, and sanitary, and (2) comparable to the house previously owned by the displaced person. Support for not having a limit to this payment rests primarily on the

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proposition that a displaced homeowner should not be required by the Federal Government to move into a substandard home, no matter what the condition of the home from which he is displaced. If you accept this proposition, it is somewhat inconsistent to put a limit on a replacement housing payment because such a limit effectively modifies that policy. In effect, the Federal Government is saying—"our policy is to provide decent, safe, and sanitary housing, as long as it doesn't cost too much to do so." A payment limit can also reduce the probability that the displaced person will be provided a home which has comparable features to the home from which he is displaced. Without a limit, the replacement housing payment would be computed solely on the criteria of the Act that the replacement dwelling be (1) decent, safe, and sanitary, and (2) comparable to the displaced person's previous dwelling.

On the other hand, arguments for keeping a limit on the replacement housing payment rest on the belief that there should be a limit to how far the Federal Government will go in upgrading housing for a displaced person. The Federal Government, goes this reasoning, has paid fair market value for the acquired home. This payment, together with the \$15,000 maximum now allowed by the Act, should be sufficient compensation for the displaced homeowner to acquire a replacement home which is significantly better than the home from which he is displaced. Those who hold this view argue that without a limit, it is possible that a replacement housing payment could be as high as \$30,000 - \$50,000.

During our review of activities under the Uniform Relocation Act we did not study agency payment histories under Sections 203 and 206. We are told, however, that the computed payment using the criteria of the Act generally does not exceed the \$15,000 limit. If this is correct, then the issue of removing the payment limit centers on the acceptability of individual payments that may substantially exceed the \$15,000 limit.

If you desire, we are available to discuss these matters further with you or your staff.

Sincerely yours,

Signed Elmer B. Staats

Comptroller General
of the United States